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June 18, 2001

VIA HAND DELIVERY

Magalie Roman Salas
Commission Secretary
Federal Communications Commission
Portals II, 445 12th Street, S.W.
Suite TW-A325
Washington, D.C. 20554

RECEIVED
JUN 18 2001
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

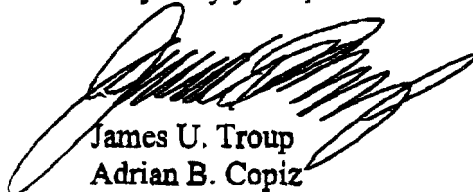
Re: **Application of Iowa Telecommunications Services, Inc. for Order Pursuant to Section 251(h)(2) of the Communications Act, as Amended, Deeming Lost Nation-Elwood Telephone Company to be an Incumbent Local Exchange Carrier** CC 01-139

Dear Ms. Salas:

Transmitted herewith, on behalf of Iowa Telecommunications Services, Inc. ("ITS"), are the original and two copies of ITS' application under Section 251(h)(2) of the Communications Act, as amended, as referenced above.

Please date-stamp and return the enclosed extra copy of this filing in the self-addressed postage-paid envelope contained herein. Should you have any questions regarding this filing, please do not hesitate to contact the undersigned at 202-775-7100.

Very truly yours,



James U. Troup
Adrian B. Copiz

Counsel to
Iowa Telecommunications Services, Inc.

Enclosures

cc: Barbara Bouley, Iowa Telecommunications Services, Inc.

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Iowa Telecommunications Services, Inc.)	
)	
Application for order pursuant)	File No. _____
to Section 251(h)(2) of the)	
Communications Act of 1934,)	
as amended, deeming Lost Nation-)	
Elwood Telephone Company to be)	
An Incumbent Local Exchange Carrier)	

APPLICATION

Iowa Telecommunications Services, Inc. ("Iowa Telecom"), hereby requests the Federal Communications Commission ("FCC" or "Commission") to issue an order, pursuant to Section 251(h)(2) of the Communications Act of 1934 (the "Act"), as amended, 47 U.S.C. § 251(h)(2), deeming Lost Nation-Elwood Telephone Company ("Lost Nation") to be the incumbent local exchange carrier ("ILEC") in Oxford Junction, Iowa, and reclassifying Iowa Telecom as a competitive local exchange carrier ("CLEC").

In support of its application, Iowa Telecom states as follows:

1. Lost Nation, over the last four years, has replaced Iowa Telecom as the ILEC in the Oxford Junction exchange. In 1996, Iowa Telecom's predecessor, GTE, was the only local exchange carrier ("LEC") operating in Oxford Junction, having 378 access lines. In 1997 Lost Nation, a neighboring ILEC, entered the market as a CLEC in the Oxford Junction exchange. By year-end 2000, Iowa Telecom only had 23 access lines, representing a 94% decrease in access lines. Lost Nation, the only other LEC competing in the exchange, has, in four short years, captured what Iowa Telecom had lost, 94% of the market share.

2. When Congress sought to stimulate competition by enacting the Telecommunication Act of 1996 (the “96 Act”), the intent was not to decimate the ILECs, but, rather, to create competition so as to benefit the consumers of telecommunications services. With this in mind, Congress anticipated that local exchange carriers such as Lost Nation might develop ILEC-like market power, and provided for such carriers to be deemed ILECs:

The Commission may, by rule, provide for the treatment of a local exchange carrier (or class or category thereof) as an incumbent local exchange carrier for purposes of this section if:

- (A) such carrier occupies a position in the market for telephone exchange service within an area that is comparable to the position occupied by a carrier described in paragraph (1)
- (B) such carrier has substantially replaced an incumbent local exchange carrier described in paragraph (1); and
- (C) such treatment is consistent with the public interest, convenience, and necessity and the purposes of this section.¹

47 U.S.C. Sec. 251(h)(2). The Commission, in its rule implementing this statutory provision, stated that “a state commission or any other interested party” may apply to the Commission for an Order deeming a LEC to be an ILEC. 47 C.F.R. Sec. 51.223(b). Pursuant to these provisions, Iowa Telecom files this application.

3. Lost Nation has long been the ILEC in Lost Nation and Elwood, Iowa. In 1996, residents of neighboring Oxford Junction asked that it serve as a CLEC to compete with Iowa Telecom’s predecessor (GTE). In 1997 Lost Nation began construction of a remote switch in Oxford Junction, running off a preexisting Lost Nation switch in its ILEC service area. Lost Nation installed a total of 22.5 miles of fiber, as well as copper plant, in order to serve Oxford Junction. Since turning on service in November, 1997, Lost Nation has consistently won customers from

¹ The references to “a carrier described in paragraph (1)” refers to the carriers originally deemed to be ILECs on February 8, 1996, the date of the passage of the Telecommunications Act of 1996. See 47 U.S.C. Sec. 251(h)(1).

Iowa Telecom. Today, Lost Nation now serves approximately 94 percent of the access lines in Oxford Junction. Details on Lost Nation's entry into Oxford Junction are taken from the company's website, excerpts of which are attached as Exhibit 1.

4. Lost Nation's position in Oxford Junction is that of an ILEC. Lost Nation's facilities in Oxford Junction are part of its ILEC host system and depend upon the ILEC switch in Lost Nation, Iowa. The local exchange service that Lost Nation provides in Oxford Junction runs off the ILEC host switch in Lost Nation and is simply an extension of the Lost Nation ILEC network.

5. Given its market share of 94%, Lost Nation has clearly, without a doubt, "substantially replaced" Iowa Telecom as the dominant carrier within Oxford Junction. Lost Nation occupies a position comparable to that formerly held by Iowa Telecom. This is particularly the case, because continuing to operate Iowa Telecom's switch in Oxford Junction is uneconomical given the small size of the town; and, as things now stand, Lost Nation maintains the only economically viable facilities in Oxford Junction. Iowa Telecom's switch in Oxford Junction costs more to supply with electricity than it earns in revenue from the 23 remaining customers of Iowa Telecom. In fact, keeping this switch, and concomitantly, Iowa Telecom, in Oxford Junction is questionable, as a critical mass of access lines no longer exist to support the economic viability of the switch.

6. The switch may, as dictated by market forces and the efficient use of capital, need to be relocated to an exchange where its presence will make more economic sense. The only way for Iowa Telecom to rationally compete for customers in Oxford Junction is to resell Lost Nation's local basic service pursuant to the wholesale discount or through the purchase of unbundled network elements ("UNE"). Yet, neither the wholesale discount nor UNEs are available from Lost Nation unless and until Lost Nation is reclassified as an ILEC. See 47 U.S.C. Sec. 251(c). Because Iowa Telecom and any other LECs that want to compete for customers in Oxford Junction will be

dependent on Lost Nation's facilities to provide service in a rational manner, Lost Nation clearly possesses substantial-ILEC like powers, not just market share.

7. It is also clearly in the public interest to reclassify Lost Nation as an ILEC. Any telecommunications carrier seeking to compete in Oxford Junction, including wireless carriers, will need to obtain access to the facilities of the primary Oxford Junction LEC, Lost Nation, that serves more than 90% of the access lines in the town. Assigning ILEC status to Lost Nation (in Oxford Junction, as well as the areas in which Lost Nation is already classified as an ILEC) will give interconnecting carriers the rights intended by the 96 Act and needed in negotiating with a carrier possessing 94% local market share.

8. Providing interconnecting carriers access to Lost Nation's facilities will enable these carriers, in addition to Lost Nation, to offer advanced telecommunications services to the residents of Oxford Junction, which were previously not available with Iowa Telecom's analog plant. By doing so, innovation, quality of service, and competitive pricing will benefit the public. Competitors to Lost Nation that are able to interconnect with its advanced facilities will be able to develop new and innovative varieties of telecommunications services that may not, at this time, be provided by Lost Nation. Also, the very presence of competition will be an incentive to Lost Nation, as well as to the competitors, to maintain the highest quality standards – including technical innovation and effective person-to-person customer care – so as to retain and win over new customers. Additionally, as is so critical to the success of a market economy, having more than one company vying for each customer's attention will make pricing more competitive, ensuring that the consumer has affordable, yet sophisticated, telecommunications services.

9. In conjunction with Lost Nation being deemed the ILEC in the Oxford Junction exchange, the current status of Iowa Telecom must necessarily also be changed to that of a CLEC. The market reality is that Lost Nation, with over 300 customers, and not Iowa Telecom, with its 23

customers, is the ILEC. There can be only one ILEC in an exchange and, in this case, Lost Nation is the one.

10. Iowa Telecom lacks market power in Oxford Junction. Iowa Telecom's resources are spread thinly across Iowa, serving a fragmented territory that is so rural that its average teledensity is only 14 access lines per square mile. Iowa Telecom's 285,000 access lines are spread over 296 exchanges, 152 of which have 500 access lines or less, and another 139 of which have between 500 and 1000 lines.² Also, in many instances, Iowa Telecom is using antiquated technology to serve its rural exchanges. This outdated equipment can not support features such as voicemail, nor more recent innovations such as Digital Subscriber Line.

11. The fact is that in a number of Iowa communities, such as Oxford Junction, Iowa Telecom is in the inequitable position of being classified as an ILEC, but exhibits market share characteristics consistent with those of a new CLEC entering the market. Iowa Telecom is forced to compete for those lost customers without the benefits afforded CLECs. Thus, as Lost Nation is clearly the ILEC in Oxford Junction, Iowa Telecom is the CLEC and should be legally recognized as such so that it may equitably compete with Lost Nation.

12. Iowa Telecom's present situation, with only 23 customers remaining in the Oxford Junction exchange, is dire in that it does not possess adequate market share to financially support operations in the exchange. It is critical that Iowa Telecom be able to retain its 23 customers and begin the process of competing for its former customers, which will require that Iowa Telecom offer services that are equal to or superior to those of Lost Nation. For this healthy competition to exist, however, it is imperative that the Commission deems Lost Nation as the ILEC and reclassify Iowa Telecom as a CLEC in Oxford Junction.

² Iowa Telecom qualifies for "Rural Telephone Company" status pursuant to 47 U.S.C. 153(37). The largest community served by Iowa Telecom is Newton, Iowa, which has a population of 15,000, so it does not provide service to any communities of 50,000 or more.

13. Lost Nation is not opposed to being designated the ILEC in Oxford Junction. Attached hereto as Exhibit 2 is a letter from Tommy R. Mullins, the CEO of Lost Nation, indicating that Lost Nation will not oppose this application and will accept designation as the ILEC for Oxford Junction if and when the Commission grants this application.

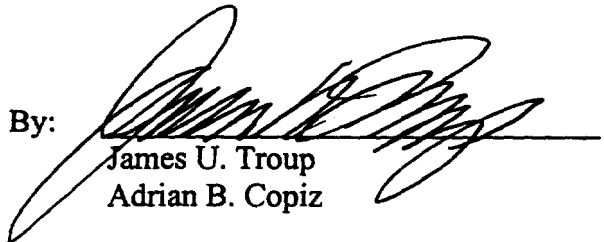
CONCLUSION

For the aforementioned reasons, Iowa Telecom respectfully urges the Commission to issue an order deeming Lost Nation to be the ILEC in Oxford Junction and reclassifying Iowa Telecom as a CLEC. Iowa Telecom further requests that the Commission grant Iowa Telecom the same interconnection rights with Lost Nation in Oxford Junction provided in Section 251(c) of the Act for other CLECs.

Respectfully submitted,

Iowa Telecommunications Services, Inc.

By:



James U. Troup
Adrian B. Copiz

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Counsel for
Iowa Telecommunications Services, Inc.

Dated this 18th Day of June, 2001

EXHIBIT 1

History of the Lost Nation-Elwood Telephone Company

HISTORY of the Lost Nation-Elwood Telephone Company

The first telephone wire in this vicinity was put in the year of 1893, when Gilroy brothers ran a wire from the Gilroy Store to the Gilroy farm north of Lost Nation. Four years later, a line known as the Comstock Line was run from Lost Nation to Toronto, as a party line for James Gilroy, Dr. Skelley and Charles Comstock.

Early in the 1900's, Albert Daniel headed a drive for the organization of a company. The Lost Nation Telephone Company was incorporated under the Laws of the State of Iowa on June 25, 1902, with Capital Stock in the amount of \$5,000. Each Certificate bore a face value of \$25 which has remained unchanged. Twenty-one shares were issued on August 13, 1902, the first of which was purchased by Henry Keil and bears the signature of Albert Daniel, President and Lewis Rutenbeck, Secretary. A total of 53 shares were sold the first year. Other members of the board of Directors were: Tim Appleton, Treasurer, R.E. Cressey and W.C. Hohn. R.M. Gable was the first switchboard operator, in his store, located where Lynn Smith's shop now stands. One and a half years later the switchboard was moved to the new Comstock Building, above the present Post Office.

Round the clock switchboard service was started in Lost Nation on January 15, 1912. The daytime operator received \$30 per month and the night operator received \$20 per month and night calls. Penalty charged on overdue assessments was one cent per day for each dollar and part of a month was charges as a full month.

Lost Nation was the first town of its size, west of the Mississippi River, to install underground cables within the town limits. The year was 1914.

In 1919, the assessment for all farmers' lines switching through the switchboard was raised from \$3 to \$6 per year.

At the February 1924 regular meeting of the Board of Directors, it was voted to have directories printed "to call parties by number".

The Lost Nation Telephone Company installed a switchboard in the town of Baldwin for customers wishing to be served by this company.

In January of 1928, the Board of Directors voted to have Bell Telephone Company transmit toll calls on a trial basis. The Tri City Independent Telephone Company had served the area up to this time.

At the Annual Meeting of 1946, it was decided to sell shares to raise the necessary funds to finance a new underground cable system and it was installed.

A new outside plant was installed in 1947. Seven miles of the line in what is now the southeast corner of the present service area were purchased from the Farmers and Businessmen Telephone Company of Wheatland.

Notice of a special meeting of stockholders was sent out on July 21, 1952, for the purpose of adopting a substitute Article of Incorporation increasing the capital stock to \$30,000 for a total of 1200 non-profit shares, with par value of \$25 per share. The same year, the Keystone Telephone Company, which was an independent company serving the northwest part of the township, was dissolved and this company replaced those lines.

Stockholders voted to install a new dial system at the annual meeting in the year of 1958.

A merger of the Lost Nation Telephone Company and the Elwood Co-op Telephone Association was effective in 1959. The Board of Directors was increased from five to seven members and the new dial system was installed. A building was erected for the dial switchboard in Elwood and an office building with equipment room and garage was built in Lost Nation. Patrons of the Lost Nation-Elwood Telephone Company have free exchange with Calamus, Wheatland and Oxford Junction. Direct distance dialing was installed in 1964. An automatic "number identification for these trunks was added in 1967.

Some of the past Board of Directors were: B.R. Cornish, F.S. Peckosh, Elmer Schepers, Ed Luett, Ivan Busch, Rolland Penningroth, Ward Hollingsworth and Frank Myatt.

In 1981, all cable was buried in the system. In April of 1982 a new digital central office was installed.

In September of 1982, the company started an Operations and Management agreement with the Bernard Telephone Company of Bernard, Iowa. This was terminated in September 1993.

In July of 1983 the first general use computer was installed to handle customer billing and bookkeeping. In December of 1988 this system was updated with a networked system with several personal computers.

L.N. Satellite Comm. Co., a subsidiary company, was started in January 1984 to serve the town of Lost Nation with cable television. All lines were buried at this time with a total of 118 subscribers initially signing up. Cable television was taken to Elwood the summer of 1994 and to Oxford Junction and Oxford Mills in February 1998. L.N. Satellite currently serves approximately 280 customers.

In 1990, the company participated in starting a telemarketing center in Lost Nation. It started with 16 work stations and 4 employees. After E I Telemarketing expanded to Lowden, Iowa in August 1996 and the two centers combined currently has 72 workstations with 100 employees.

Link Communications, a new long distance company owned by Lost Nation-Elwood Telephone Company, was formed in March 1996 to provide our customers with low, stable rates and allow them to receive one bill for their local and long distance services. Link offers a competitive rate with 6 second incremental billing.

In January 1996, the residents of Oxford Junction petitioned Lost Nation-Elwood Telephone Company to provide them with local phone service, which was currently being provided to them by GTE. After many months of planning, construction was begun the summer of 1997 with a small central office building built in Oxford Junction housing a remote switch off the Lost Nation DMS-10 switch. The construction in the rural area is a fiber-copper plant. A total of 22 and a half miles of fiber was installed. The first subscribers were cut over November 17, 1997 with a high percentage of the subscribers switching over to our CLEC company.

EXHIBIT 2

Letter from Tommy R. Mullins, CEO of
Lost Nation-Elwood Telephone Company

June 8, 2001

Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

**RE: Iowa Telecommunications Services, Inc.
Application for Section 251(h)(2) Order
Oxford Junction, Iowa**

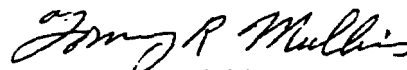
Dear Ms. Salas:

Lost Nation-Elwood Telephone Co. (Lost Nation) presently serves the Oxford Junction, Iowa exchange as a competitive local exchange carrier (CLEC). Lost Nation understands that Iowa Telecommunications Services, Inc. (Iowa Telecom), the present incumbent local exchange carrier (ILEC) serving Oxford Junction, is planning to file an Application with the Federal Communications Commission (FCC) under Section 251(h)(2) of the Communications Act of 1934, as amended, requesting that Lost Nation be designated as the ILEC for the Oxford Junction exchange.

Lost Nation will not oppose the Iowa Telecom application, and will accept FCC designation as the ILEC for the Oxford Junction exchange if and when the FCC grants the Iowa Telecom application.

Lost Nation has given Iowa Telecom permission to include this letter as part of its Section 251(h)(2) application to the FCC.

Very truly yours,


Tommy R. Mullins, CEO